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ABSTRACT

Five articles are presented concerning student aid planning and educational policy, based on experiences gained in regional workshops conducted by the National Institute of Independent Colleges and Universities (NIICU). The purpose of the workshops was to translate the data gathered in the NIICU Student Aid Recipient Survey into formats useful for institutional planning. Participants in the workshops could compare their respective college's profile to institutions regionally and nationally and by type of institution. Virginia Ann Hodgkinson in "Student Aid: Its Distribution and Its Impact on College Operating Budgets" examines the national trends in student aid programming and national projections and describes the impact of these projections on individual institutions. In "Institutional Policies for Student Financial Aid," Nathan Dickmeyer enumerates a series of institutional policies that need to be examined in order to develop a coherent student aid policy. In "How One College Changed Its Policies: A Case Study," Christopher Toppe describes how a college, caught short by fund reductions caused by changes in the federal campus allotment formula, changed its policies using the NIICU self-study and managed to maintain its enrollment. In "A Financial Aid Planning Worksheet," Madeline Green, Christopher Toppe, and Robert Atwell set out a strategy and worksheet that currently are being developed into an interactive planning model by NIICU. Finally, Virginia Ann Hodgkinson in "Some Ways to Stretch Scarce Financial Aid Resources" summarizes activities developed by independent colleges to cope with an unstable present and uncertain future in federal student aid funding. (SW)

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PERSPECTIVES AND PROJECTIONS:
STUDENT AID PLANNING AND EDUCATIONAL POLICY

edited by
Virginia Ann Hodgkinson

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TABLE OF CONTENTS

	PAGE
FOREWORD	v
INTRODUCTION	vii
STUDENT AID: ITS DISTRIBUTION AND ITS IMPACT ON COLLEGE OPERATING BUDGETS Virginia Ann Hodgkinson	1
INSTITUTIONAL POLICIES FOR STUDENT FINANCIAL AID Nathan Dickmeyer	13
HOW ONE COLLEGE CHANGED ITS POLICIES: A CASE STUDY. Christopher Toppe	27
A FINANCIAL AID PLANNING WORKSHEET Madeline Green Christopher Toppe Robert Atwell	37
SOME WAYS TO STRETCH SCARCE FINANCIAL AID RESOURCES. Virginia Ann Hodgkinson	51

FOREWARD

During the two years in which NIICU conducted its series of regional workshops on student financial aid and educational policy, more than 1,200 senior administrators from over 250 independent colleges and universities participated in these workshops. Their efforts, and the insights gained by the NIICU staff and consultants, have resulted in the various articles included in this monograph.

Special thanks go to the Lilly Endowment, Inc., whose support made these workshops possible; to the hundreds of staff members who provided their institutions' data and who worked with NIICU to make these workshops a learning experience; to the institutional staff members and NIICU consultants who prepared such fine presentations; and to the NIICU staff and research assistants who gave up many evenings and weekends to put the show on the road.

It is the hope of the contributors that this document will be of value to workshop participants who have been patiently awaiting its publication, as well as to those in other institutions who were unable to participate. Of course, we also hope that this series of articles will encourage some of you to join us at future workshops so that we may all learn more together about planning for financial aid.

Virginia Hodgkinson

INTRODUCTION

For the past two years, the National Institute of Independent Colleges and Universities (NIICU) has presented a series of regional workshops for senior executives and their staff members, including financial aid officers, on student financial aid planning and educational policy. More than 250 independent colleges and universities attended these workshops from all parts of the nation. Those who participated represented the whole range and diversity of the independent sector of American higher education, from major research universities to the small, single-purpose, specialized institutions.

The purpose of these workshops was to translate the data gathered in the NIICU Student Aid Recipient Survey into formats useful for institutional planning. In order to participate in these workshops, colleges and universities were required to prepare samples of their student aid recipients. These were developed into a series of approximately forty separate reports ranging from analyses by age, race, sex, and year in school, to family income profiles, and to reports detailing the sources of aid.

Participants in the workshops could compare their college's profile to institutions regionally and nationally and by type of institution. Gradually, through the development, use, and improvement of such reports, institutions will be able to check their data against national and regional trends; pinpoint areas that need institutional study for policy changes; monitor their position over time in comparison with others; and evaluate the effectiveness of policy changes they have instituted by collecting sample data on an annual or a biennial basis.

The series of articles presented in this monograph grows out of our experience at these workshops, and the title reflects the ambience of the environment as well as the actions or reactions that can be taken by institutional leaders to change projections into a different reality.

Perspectives come out of the setting in which the workshops were conceived. Originally the workshops were designed to provide presidents with some key data about student aid; some information about the impact of student aid upon institutional budgets; and the development of information, previously unavailable, that could be incorporated with other institutional data, as part of the total corpus of information used in planning, both long and short-term, at the college. In short, the workshops were conceived during a period when federal student aid funding was stable and could be used as a legitimate planning tool.

The first series of workshops was held during spring 1981 when the new administration was considering its first set of budgets cuts. Not surprisingly, participants asked us: "What will these cuts mean to our campus?" It was this question that triggered our providing projections of the impacts of various proposals upon colleges, both in the short and long term. Thus the projections deal with one of the elements of strategic planning -- what happens if proposal A,B,C, or D gets accepted, and what impact do these projections have nationally, by region, or at an individual institution. NIICU now provides such projections, as quickly as possible, to attempt to analyze a great array of proposals and their impact upon our colleges.

In the face of these mryiad changes, one college executive asked: "If proposals change from one week to the next, how are we to develop a long-range plan, let alone a strategic plan?" In response, we are helped by the perspectives gained from experience, as reflected in the insights and the theme proposals set out in the following articles. Out of chaos are emerging creative solutions to an unstable fiscal situation. In spite of whirlwind government changes, there is evidence that colleges can establish some control over their environments. What has impressed all of us who participated in these workshops is the creative impulse of our college administrative staffs, from innovations to stretch scarce resources to broad strokes of creative ideas to generate new ways for students to finance their college educations.

In the articles which follow, we have attempted to reflect the broad scope of issues covered in the workshops, ranging from the practical problems confronting colleges to some creative solutions to these and other challenges.

In the first article, "Student Aid: Its Distribution and Its Impact on College Operating Budgets" the national trends in student aid programming and national projections are examined. Finally, the impact of these projections on individual institutions is described, and a set of questions posed for institutions to examine in light of the projections.

In "Institutional Policies For Student Financial Aid," Nathan Dickmeyer enumerates a series of institutional policies that need to be

examined in order to develop a coherent student aid policy. Along with the issues that need to be examined, a series of suggestions is offered as ways to analyze these issues in numerical form.

"How One College Changed Its Policies: A Case Study," by Chris Toppe, describes how a college, caught short by fund reductions caused by changes in the federal campus allotment formula, changed its policies using the NIICU self-study, and managed to maintain its enrollment.

In "A Financial Aid Planning Worksheet," Madeleine Green and her co-authors set out a strategy and worksheet that currently are being developed into an interactive planning model by NIICU. It should be available to college planners by late fall.

The final article, "Some Ways To Stretch Scarce Financial Aid Resources," summarizes a variety of activities developed on our independent campuses to cope with an unstable present and an uncertain future in federal student aid funding. Though it serves here as a conclusion, it is only a beginning and a challenge to the vast abilities and creativity of the college leadership on our campuses. I am convinced that we can look forward to the development of many more approaches to the stretching of resources and to the funding of students so that we can maintain access to independent colleges and universities. It is through such creativity in addition to enlightened public policies that qualified students may choose to attend an independent institution regardless of income.

We trust that the perspectives and projections offered in this monograph will serve your purposes as you confront upheavals in the economy and shifts in public policy. Beyond that, we are hopeful that the contents will generate even more inventive strategies for dealing with an uncertain future.

Virginia Hodgkinson

STUDENT AID: ITS DISTRIBUTION AND ITS IMPACT ON COLLEGE OPERATING BUDGETS

Virginia Ann Hodgkinson

In 1980-81 there were 1.8 million undergraduates enrolled at independent colleges and universities. Approximately six out of every ten students (1.1 million) received some form of need-based student assistance. Table 1 below shows to whom this aid was distributed, by parental adjusted gross income.

TABLE 1

PERCENTAGE DISTRIBUTION OF UNDERGRADUATE AID RECIPIENTS BY REPORTED PARENTAL ADJUSTED GROSS INCOME AT INDEPENDENT INSTITUTIONS IN 1980-81

Parental Adjusted Gross Income	Estimated Number of Recipients	Percent Of Total Recipients
$ 0- 6,000	79,488	7.2%
$ 6-12,000	144,624	13.1
$12-18,000	178,848	16.2
$18-24,000	194,304	17.6
$24-30,000	192,096	17.4
$30-36,000	120,336	10.9
$36,000 +	119,232	10.8
Total	1,028,928	93.2%

Over three-quarters of the recipients at independent colleges and universities came from families with incomes below $30,000. Students with family incomes above $24,000 were more reliant on self-help income from loans and work, while students from lower income families generally had more grant assistance.

Virginia Hodgkinson is the former Executive Director of the National Institute of Independent Colleges and Universities, and currently Vice President, Research at Independent Sector.

The distribution of student aid varied by family income even though nationally, on the average, there appeared to be no unmet need. The national average hides the differences in packaging patterns by income group. Students from families with incomes below $24,000 had various amounts of unmet need even in 1980-81. The overall national average takes into account the ability of families to borrow Guaranteed Student Loans to cover a portion of the parental contribution. Table 2 below shows the general packaging patterns by parental income and reveals the actual unmet need pattern in 1980-81 by parental income groups.

TABLE 2

AVERAGE DOLLAR AMOUNTS AND PERCENT OF
TOTAL STUDENT EXPENSES BY PARENTAL INCOME
AND BY SOURCE OF FUNDS FOR ALL DEPENDENT UNDERGRADUATE
AID RECIPIENTS 1980-81

Parental Adjusted Gross Income	Average Number of Children In College	Average Parental Contribution $	%	Average Need-Based Grants $	%	Average Self-Help $	%	Other Aid $	%	Average Student Budget $	%	Average Total Resources Total Expenses $	%
$ 0- 6,000	1	$ 230	3.7%	$2,554	41.0%	$1,789	28.7%	$576	9.3	$6,222	100.0%	$-1,074	-17.3%
$ 6-12,000	1	260	4.3	2,708	44.4	1,988	32.6	711	11.6	6,102	100.0	-435	-7.1
$12-18,000	1	582	9.4	2,484	40.0	2,198	35.4	558	9.0	6,208	100.0	-386	-6.2
$18-24,000	2	1,153	18.1	2,008	31.6	2,403	37.8	610	9.6	6,356	100.0	-182	-2.9
$24-30,000	2	1,951	30.1	1,592	24.6	2,588	39.9	495	7.6	6,481	100.0	145	2.7
$30-36,000	2	2,825	42.0	1,341	19.9	2,658	39.5	482	7.2	6,731	100.0	576	8.6
$36,000 +	2	5,171	73.4	839	11.9	2,713	38.5	539	7.6	7,040	100.0	2,221	31.6
Average All Incomes	2	1,565	24.2	1,922	29.7	2,421	37.4	571	8.8	6,470	100.0	9	0.1

Table 2 shows that students from families with incomes below $24,000 had aid packages with various amounts of unmet need even in 1980-81 which was the second year of the Middle Income Student Assistance Act. Students from families above $24,000 had increasing amounts of self-help -- including work, loans, and expected student contribution -- which helped to defray some of the required parental contribution.

Self-help as a percentage of the total student budget has grown faster than any form of support to cover college costs, partially due to the growth in College Work-Study funds and the Guaranteed Student Loan program.

Table 3 indicates that average self-help has increased by 31 percent from $1,845 in 1978-79 to $2,421 in 1980-81, while parental contributions have not risen as a proportion of total student budgets. Need-based grants have dropped in real dollars as well as a proportion of total student budgets. Although College Work-Study has increased slightly as a proportion of total student budgets, the real increase

TABLE 3

CHANGES IN THE SOURCES OF FUNDS TO MEET THE TOTAL STUDENT BUDGET 1978-79 to 1980-81

Academic Year	1978-79		1979-80		1980-81	
Total Student Budget	$5,712		$5,796		$6,470	
Source of Funds	Dollar Amount	Percent of Total	Dollar Amount	Percent of Total	Dollar Amount	Percent of Total
Parental Contribution	$1,470	25.7%	$1,463	25.2%	$1,565	24.2%
Need-based Grants	1,968	34.5	2,049	35.4	1,942	29.7
Total Self-Help	1,845	32.3	1,803	31.1	2,2421	37.4
Work	(326)	(5.7)	(379)	(6.5)	(438)	(6.8)
Loan	(752)	(13.2)	(703)	(12.1)	(1,127)	(17.1)
Student Contribution	(767)	(13.4)	(720)	(12.4)	(856)	(13.2)
Other Aid	373	6.5	381	6.6	571	8.8

has come in the total loan burden expected of students. The average loan burden increased 60 percent from an average of $703 per student in 1979-80 to an average of $1,127 in 1980-81. If one were to trace the increasing burden of the cost of education from 1979 to 1981, it is clear that the burden to the student is increasing both in real terms and as a proportion of total student budgets.

Would the Current and Proposed Budget Cuts Affect the Distribution of Student Aid?*

The budget reductions under the Reconciliation Budget Act of 1981 called for a changing of the eligibility of Pell Grants, back to approximately $19,000 family income rather than a $27,000 eligibility

*Although the 1983 federal budget has not been completed at publication time, it is still helpful for us as planners to recognize what the impact of such a proposal (which may reoccur) would be.

cap in 1980-81. It also called for a needs test on GSL for students from families above $30,000 income. The campus-based programs were also cut and level-funded in the out years, indicating that as costs go up, these programs would cover a smaller percentage of the student budgets in the future.

The table below projects this impact of the Reconciliation Act for 1982-83 academic year, assuming an 18.5 percent compounded inflation rate obtained from Consumer Price Index projections published by Data Resources, Incorporated. The estimated loss to be sustained by recipients at independent colleges and universities, assuming that the same clientele by income is enrolled, will be $904 million for 1982-83.

TABLE 4

UNMET NEED AND
FEDERAL BUDGET CUTS: FY 1982
WHAT WILL HAPPEN UNDER RECONCILIATION?

All Undergraduates				
Unmet Need				
	1980-81		1982-83	
Income Level	Dollar Amount	% of Total Expenses	Dollar Amount	% of Total Expenses
$ 0- 6,000	$-1,074	-17.3%	$-1,783	-25.7%
$ 6-12,000	- 435	- 7.1	-1,023	-14.7
$12-18,000	- 386	- 6.2	-1,166	-16.4
$18-24,000	- 182	- 2.9	- 934	-13.0
$24-30,000	+ 145	+ 2.2	- 608	- 8.3
$30-36,000	+ 576	+ 8.6	*	*
$36,000 +	+2,221	+31.6	*	*
TOTAL	+ 9	+ 0.1	- 861	-11.9
TOTAL LOSS = $904.05 Million				

* Data for students from families with incomes above $30,000 could not be estimated due to the change in GSL eligibility. This makes the $904.05 million loss a low estimate.

Those income groups hardest hit by the cuts under the Reconciliation Budget Act will be students from families with incomes up to $24,000. Unmet need will increase on an average of 135 percent for students from the $6,000 to $12,000 family income group and increase by over 200 percent for the $12,000 to $18,000 income group. Unless institutions make an effort to redistribute funds to these groups, who represent approximately 50 percent of all students aided at independent colleges, some of these students may find it difficult to continue their education or to consider enrolling at the independent college of their choice.

While colleges may plan to cope with the Reconciliation Budget Act over a three-to-four year period, the current administration's 1983 budget proposals would make planning very difficult for a majority of independent colleges and universities (see Table 5).

The impact of the 1983 budget proposals would disproportionately affect students enrolled at independent colleges and universities because the campus-based programs would be severely cut or discontinued altogether.

TABLE 5

ADMINISTRATION 1983 BUDGET PROPOSALS

Program	Actual 1981-82 (Billions)	Administration's Proposals	
		1983-84 (Billions)	% Change
PELL	$2.346	$1.4	-40%
SEOG	.370	0	-100
CW-S	.550	.398	-27.6
NDSL	.186	0	-100
SSIG	.0767	0	-100
Total	$3.529	$1.798	-49%
GSL*	$2.581	$2.485	-3.7%

*GSL could be cut by one-third to one-half if the Administration's proposals for new legislation on GSL were passed. These proposals would exclude graduate students from GSL and limit undergraduate eligibility to remaining need only.

Table 6 below clearly illustrates the effects of the 1983 budget proposals upon students attending independent colleges. Although students from family income groups up to $36,000 would have an unmet need over $1,500, the groups hardest hit would be students fom families below $24,000. The students in these groups will find it more difficult to find alternate sources of income to pay for college costs.

TABLE 6

UNMET NEED AND
FEDERAL BUDGET CUTS: FY 1983
WHAT WILL HAPPEN UNDER THE ADMINISTRATION'S REQUEST

All Undergraduates				
Unmet Need				
	1980-81		1983-84	
Income Level	Dollar Amount	% of Total Expenses	Dollar Amount	% of Total Expenses
$ 0- 6,000	$-1,074	-17.3%	$-2,636	-33.9%
$ 6-12,000	- 435	- 7.1	-1,941	-25.6
$12-18,000	- 386	- 6.2	-2,240	-29.2
$18-24,000	- 182	- 2.9	-2,212	-28.7
$24-30,000	+ 145	+ 2.2	-1,626	-20.5
$30-36,000	+ 576	+ 8.6	-1,059	-13.3
$36,000 +	+2,221	+31.6	+ 668	+ 7.9
TOTAL	+ 9	+ 0.1	-1,129	-11.9
TOTAL LOSS = $1.254 Billion				
TOTAL NUMBER OF STUDENTS WITH UNMET NEED ABOVE $1,900 = APPROXIMATELY 597,000				

For the projections for the proposed budget cuts, NIICU assumed a compounded inflation rate of 27.6 percent from 1980-81 as published in projections from Data Resources, Incorporated. The impact could change with reduced inflation rates, but the unmet need or the availability of money would still be very high with a real dollar funding decrease of approximately 50 percent without taking the Guaranteed Student Loan program into account.

Table 7 below details the comparison of the average student budget for 1980-81 actual compared to 1983-84 under the proposed Administration's budget cuts.

TABLE 7

ALL UNDERGRADUATE DEPENDENT AID RECIPIENTS
REPORTING PARENTAL INCOMES: 1980-81 AND 1983-84
ALL PARENTS' ADJUSTED GROSS INCOMES COMBINED

SAMPLE N = 107,688

	1980-81		1983-84	
STUDENT EXPENSES	AVERAGE DOLLAR AMOUNTS	PERCENT OF TOTAL EXPENSES	AVERAGE DOLLAR AMOUNTS	PERCENT OF TOTAL EXPENSES
A. TUITION AND FEES	$3,627	56.1%	$4,693	58.8%
B. ROOM AND BOARD	1,774	27.4	1,191	25.0
C. ALL OTHER BUDGETED EXPENSES	1,068	16.5	1,295	16.2
TOTAL STUDENT EXPENSES (A+B+C)	$6,470	100.0%	$7,979	100.0%
GRANTS/PARENTAL CONTRIBUTIONS				
1. EXPECTED PARENTAL CONTRIBUTIONS	$1,565	24.2%	$2,128	26.7%
2. NEED-BASED GRANTS				
PELL GRANTS (BEOG)	$ 585	9.0%	$ 211	2.7%
SUPPLEMENTAL GRANTS (SEOG)	198	3.1	0	0.0
STATE GRANTS (INCLUDING SSIG)	589	9.1	539	6.8
INSTITUTIONAL GRANTS	549	8.5	736	9.2
TOTAL NEED-BASED GRANTS	$1,922	29.7%	$1,486	18.6%
3. SUB-TOTAL (1+2)	3,487	53.9	3,614	45.3
SELF-HELP				
4. STUDENT EMPLOYMENT				
COLLEGE WORK-STUDY (CW-S)	$ 345	5.3%	$ 234	2.9%
STATE/INSTITUTIONAL WORK PROGRAMS	93	1.4	104	1.3
TOTAL STUDENT EMPLOYMENT	$ 438	6.8%	$ 338	4.2%
5. STUDENT LOANS				
NAT'L DIRECT STUDENT LOANS (NDSL)	$ 312	4.8%	$ 217	2.7%
GUARANTEED STUDENT LOANS (FISL/GSL)	786	12.1	982	12.3
INSTITUTIONAL LOANS	29	0.2	38	0.3
TOTAL STUDENT LOANS	$1,127	17.4%	$1,237	15.5%
6. EXPECTED STUDENT CONTRIBUTIONS	$ 856	13.2%	$ 977	12.2%
7. SUB-TOTAL (4+5+6)	$2,421	37.4%	$2,552	32.0%
OTHER AID				
8. AID FROM ALL OTHER SOURCES**	$ 571	8.8%	$ 684	8.6%
TOTAL STUDENT RESOURCES (3+7+8)	$6,479	100.1%	$6,850	85.8%
BALANCE (TOTAL RESOURCES - TOTAL EXPENSES)	($9)	(0.1%)	$-1,129	-14.2%

* Totals may not add up due to rounding.

** Other aid includes grants, loans and work from other federal, state, institutional and private sources.

How Would the Proposed 1983 Budget Cuts Affect College Budgets?

One of the difficulties that policy analysts have had during the last decade is to determine the percentage of educational and general revenues derived from financial aid sources at independent colleges and universities. Without being able to determine what percentage of student aid revenues is returned directly to the college as part of tuition and fees, we could not assess the impact of student aid revenues on a college budget. However, with the NIICU Student Aid Recipient Survey, it became possible to address this issue. The impact of the proposed budget cuts on tuition and aid revenues is outlined in Table 8.

TABLE 8

IMPACT OF THE PROPOSED BUDGET CUTS ON
TUITION AND AID REVENUES
AS A PERCENTAGE OF EDUCATIONAL AND GENERAL REVENUES
AT INDEPENDENT COLLEGES AND UNIVERSTITES
(FOR AID RECIPIENTS ONLY)

	Actual 1980-81	Projected 1983-84
Parents' Contributions and Other Revenues*	55.0 %	70.6 %
Federal Aid	27.2 %	14.7 %
State Aid	8.58%	5.77%
Institutional Aid **	8.17%	8.2 %
Other	0.85%	0.88%
Total	100.0 %	100.0 %
Reliance on Aid	44.8 %	29.3 %

* Private gifts and/or endowment income, and some state, federal and/or local resources.

** Institutional aid is broken out separately, but could be added to parents' and other revenues to get a more complete picture of the institutions' changing aid revenues.

However, national averages again tend to hide the disproportionate impact of the proposed 1983 federal budget cuts by type of institution. In order to illustrate the various effects these budget cuts could have, three profiles of different types of colleges have been selected for particular analysis. The three profiles of colleges provide a range by type of liberal arts college in terms of the clientele they serve and in terms of their financial profiles.

College A

College A is representative of a more selective liberal arts college. Its tuition dependency is 49 percent, about average for its group, and it is representative of the higher priced college. It serves an upper middle income clientele, and only has 36 percent of its student aid recipients coming from families below the $24,000 income level.

TABLE 9

COLLEGE A			
PERCENTAGE OF RECIPIENTS WITH PARENTS' AGI BELOW $24,000 = 36%			
1981-82			
Total Undergraduates	801		
Total Aid Recipients	516		
Tuition Dependency	49.6%		
Average Cost	$9,000		
1980-81 Total Aid as a Percentage of E&G Revenues (For Aid Recipients)		1983-84 Total Aid as a Percentage of E&G Revenues (For Aid Recipients)	
FEDERAL	11.64%	FEDERAL	8.31%
STATE	8.79	STATE	4.44
COLLEGE	15.00	COLLEGE	15.22
OTHER	0.37	OTHER	0.37
Total	35.79%	Total	28.45%
	$1.98 Million		$1.806 Million
AVERAGE UNMET NEED PER STUDENT			
1980-81		1983-84	
$1,020	+11.3% (of Total Student Expenses)	$-292	-2.8% (of Total Student Expenses)

This college is far below the national average in dependency on federal aid -- 11.64 percent compared to 27.2 percent -- and more than 80 percent of these federal funds come from the Guaranteed Student Loan program. College A makes a heavy investment in institutional aid -- almost twice the national average.

This college will lose some federal funds, primarily campus-based funding, and retain some Pell Grant monies and Guaranteed Student Loan funds. Although this college will lose about $1,000 per student in federal aid, it has several choices: (1) it can reduce the percentage of low-income clientele; (2) it can increase its institutional aid dollars; (3) it can probably raise more money to augment its scholarship program. Because this college did not serve a high percentage of low-income clientele, it will not lose much federal aid compared to other types of colleges.

College B

College B is a small college that caters to low-income students primarily. Although its tuition is slightly below the national mean, it is about average for its type. This college is 65 percent tuition dependent, which also is typical of its type. Nearly 57 percent of the students enrolled at this college receive some form of assistance, and three-fifths of these students come from families with incomes below $24,000. Many of these students receive Pell Grants and other campus-based assistance in addition to GSL.

As a result of the budget cuts, this college would lose nearly half of its federal aid, primarily through Pell Grants and other campus-based programs. Because it is heavily tuition dependent already, it would have some difficulty increasing its institutional aid funds, which accounted for slightly more than 2 percent of E&G revenues in 1980-81. It also would be difficult to make major changes in clientele, since this college obviously has a mission to serve a large percentage of low-income students. Serving a large number of low income students would prevent this college from increasing tuition to cover the aid losses, since price is an important factor for low-income families. Therefore, this college would have to carefully plan for its future and the use of its limited resources in order to cope with the cuts in federal student aid.

TABLE 10

COLLEGE B			
PERCENTAGE OF RECIPIENTS WITH PARENTS' AGI BELOW $24,000 = 60%			
1981-82			
Total Undergraduates	763		
Total Aid Recipients	432		
Tuition Dependency	65.0%		
Average Cost	$5,675		
1980-81 Total Aid as a Percentage of E&G Revenues (For Aid Recipients)		1983-84 Total Aid as a Percentage of E&G Revenues (For Aid Recipients)	
FEDERAL	25.79%	FEDERAL	14.05%
STATE	8.82	STATE	7.01
COLLEGE	2.39	COLLEGE	2.41
OTHER	1.11	OTHER	1.11
Total	38.10%	Total	24.58%
	$0.93 Million		$0.692 Million
AVERAGE UNMET NEED PER STUDENT			
1980-81		1983-84	
$-151	-2.7% (of Total Student Expenses)	$-1,517	-23.3% (of Total Student Expenses)

College C

College C has 86 percent of its students on some form of aid, and approximately 50 percent of these recipients come from families with incomes below $24,000. One of the problems with College C is that it has a bi-modal distribution of aid recipients. Its middle-income students are already borrowing almost the maximum Guaranteed Student Loans, and its lower-income students are heavily dependent on Pell Grants and federal campus-based assistance. The major losses in federal aid at this college would come from Pell Grants, campus-based aid, and some GSL. The college itself, as can be seen from this profile, does not have large resources available for institutional aid. Again, it would be difficult for this college to change a major commitment to lower-income clientele.

TABLE 11

COLLEGE C			
PERCENTAGE OF RECIPIENTS WITH PARENTS' AGI BELOW $24,000 = 47%			
1981-82			
Total Undergraduates	852		
Total Aid Recipients	736		
Tuition Dependency	70.0%		
Average Cost	$5,300		
1980-81 Total Aid as a Percentage of E&G Revenues (For Aid Recipients)		1983-84 Total Aid as a Percentage of E&G Revenues (For Aid Recipients)	
FEDERAL	33.71%	FEDERAL	21.67%
STATE	7.28	STATE	5.95
COLLEGE	5.21	COLLEGE	5.14
OTHER	0.06	OTHER	0.05
Total	46.26%	Total	32.82%
	$2.562 Million		$2.135 Million
AVERAGE UNMET NEED PER STUDENT			
1980-81		1983-84	
$+136	+2.6% (of Total Student Expenses)	$-1,056	-17.1% (of Total Student Expenses)

What are the Alternatives:

Through an analysis of its current clientele, and some projections about the future, colleges can start to take steps to plan for the future. It is evident that many colleges will suffer financial distress if there are major federal budget cuts, but there are some ways to offset some of the losses with carefully laid institutional policies and plans. The articles which follow deal with institutional policies and planning, financial planning models, and innovative ways to conserve scarce resources as well as to find new resources in order to provide needy students with the means to attend an independent college.

INSTITUTIONAL POLICIES FOR STUDENT FINANCIAL AID

Nathan Dickmeyer

Student financial aid policies are the institutional guidelines that control the cost to each student of his or her education. Financial aid policies fit within a larger set of policies governing the direction of the institution and constituting the written and unwritten rules that govern overall administrative behavior. In this essay I list categories of student financial aid policy; the tests that determine if these policies are working; ways of organizing the institution to develop policies; and tecnniques in implementing student financial aid policies.

Many colleges and universities have become heavily dependent on the effective administration of student financial aid. The burden of administering increasingly complex student aid programs has caused financial aid directors to seek more policy guidance from other top-level institutional administrators. This essay is designed to help top-level administrators define their roles and perspectives for these policy discussions.

Institutional Policy Making and Financial Aid Policies

College and university policy making can be sorted into four broad categories: financial, academic, marketing and administrative. Financial policies include guidelines on debt levels, endowment payout policies, and regulations that balance administrative and academic expenditure levels. Academic policies govern the heart of the institution: the major courses of study to be offered; requirements for graduation; and professional promotion and hiring policies.

Marketing policies include the chosen means of attracting students: the media to be used in advertising; the emphasis to be given certain institutional qualities (expressed as the institutional mission); the type of student sought; and the differential pricing policies used to attract various kinds of students. Adminstrative policies include guidelines for responsibility and control in the organization including the determination of the organizational structure, promotional policies, budgeting procedures and the network of committees.

Financial aid policies fall within many of these categories. They can be seen as portions of both the financial and marketing policy areas. Financial aid policies can also be used to affect the academic subsystem by determining the academic characteristics of students recruited to the institution. To the extent that financial aid policies determine the total amount of revenue brought in and the level of expenditures for scholarships, they are part of the financial policy

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system. To the extent that they determine the numbers and characteristics of students, these policies are part of the marketing subsystem. Indeed, student financial aid policies form a key link between the financial and marketing policy areas.

Policies are largely impersonal guidelines designed not for the individual, but for classes of people. As such they are the means by which top-level administrators guide the behavior of the staff who work with the individuals of the system. When explicit policies are absent, complaints of unfairness and "three different rulings from three different clerks" emanate from students. Staff, on the other hand, tend to complain about the lack of direction and the ignorance of top-level policy makers with their difficulties in dealing with individuals.

Financial Aid Policies

Tuition Pricing

This policy area is the most explicit in the financial aid policy constellation. I consider tuition setting a financial aid policy because of its direct link to the amount of aid required by students with limited financial resources. The range of philosophies on this policy can be seen by comparing regions of the country. In the South, tuition is usually low and less institutional student financial aid is offered. In the North, tuition is higher, but is more heavily discounted with institutionally-funded student aid for many students.

Many institutions set their tuition at a level that is "appropriate" for their image and competition: either a little above their competitors, solidly in the middle, or a little below. Tuition policy is thus an important marketing consideration, even though at many insitutions only a minority of students pay this "full price." Tuition levels are at least a small factor in the determination of "image."

The Total Institutionally Funded Student Aid Budget

The procedure that sets this budget item can determine the amount of aid available for students. In some institutions the reverse happens: the amount awarded to students determines the budget item. In institutions where "full need" is met, aid is awarded to all needy students, and that amount becomes the budget. In other institutions,

where resources may be scarcer, a set amount is put into the budget for aid. In this case, less than full need may be met for many students, and aid packaging policies become much more important. With non-increasing levels of federal student aid and increasing college costs, fewer and fewer institutions are able to meet the full financial needs of their students. These institutions must set the amount available and then determine the policies that will award only that amount.

Setting Expected Parental Contributions: Figuring Need

Although only limited flexibility is given institutions when calculating expected parental contributions for the purpose of awarding federal aid, institutions may exert some discretion when calculating need for the purpose of awarding their own aid. Institutions may find that the national expected parental contribution formulas are either too generous or too stringent for students at their institution. The formula treatment of such assets as farms and homes may be illogical for some institutions. In many cases, federal guidelines do not ask for enough information to make truly informed judgments. The wealth and willingness of relatives other than parents to support students comprise an example of missing information.

By employing a formula that expects more of parents, an institution may save thousands of dollars in unnecessary aid awards. However, the trends in federal formulas are changing. For some years, they appeared to be becoming too lenient (and hence too expensive for many institutions); they now appear to be becoming more stringent for students.

Loan and Work Policies

An apparent majority of students are financing their education with loans of one type or another. In awarding aid packages, institutions have come to expect students to borrow certain amounts when awarding aid packages. This amount in turn determines the amount of grant aid from institutional funds which must be awarded by institutions attempting to meet full need. Two factors are important when setting this policy. First, institutions need to consider the financial burden on graduates and drop-outs. Is the final amount of debt service expected of a graduate at all reasonable, given starting salaries? Should maximum loan levels vary by program, given that some programs produce graduates with higher earnings potentials?

Second, loans are a less desirable way of financing an education than grants. The offer of a loan may not be sufficient to attract

certain students to the institution. Loans represent a deferral of costs to another period, and in many cases, because of deferred interest and less than market interest, they represent a small reduction in costs. Thus, loans provide another dimension to the costs of attendance and are an important part of marketing policy.

Similarly, policies governing work programs affect institutional marketing and provide another way of financially supporting a student while he or she is in college. Work policies govern the maximum number of hours a student may work. They also determine the eligibility for work programs. Besides getting the work of the institution done at a discount, work programs can provide educational experiences for students.

Differential Targeting of Aid

Once institutions have determined tuitions and the total amount of institutional aid to be made available, they must decide to whom they will give how much of this aid. Some institutions have decided to simply meet need. After determining maximum expected parental and student contributions, loan levels, and work expectations, these institutions award the necessary aid (after federal, state and private awards are made).

Other institutions have found that they cannot meet full need with reasonable loan and work expectations. These institutions need policies to determine aid levels. In some cases a rule as simple as meeting 90 percent of need is used. In other cases, students with larger need "gaps" (the differences between resources for college and college costs) are given larger proportions of their need as institutional aid awards.

At many institutions, larger awards are given to more "desirable" students. Desirability may be determined by academic ability, athletic ability, or other special abilities. In other cases, awards may be targeted at students who add important dimensions to the student body because of their leadership abilities or their cultural characteristics.

These policies require the attention of the entire institutional community because changes to these policies can alter the basic character of the institution.

Differential Awards by Class Level

Institutions can set policies that increase or decrease loan, grant or work expectations as students progress from freshman to senior

status. While seniors have the highest probability of graduating, and thus the highest earnings potential, few institutions feel that it is ethical to give lower grant and higher loan awards to upper classmen than to incoming students. On the other hand, many institutions require less work of freshmen because they are adjusting to college for the first time.

Net Cost

As a result of these policies, institutions set the net cost to individual students where net cost is the cost actually borne by the family. Net cost is thus the total student budget less total financial awards. By definition net cost is also the sum of expected parental and student contributions, and the "gap" which neither expectations nor awards cover of total costs.

By explicitly setting a policy on net costs, the institution indirectly sets tuition and aid policies. In many cases this is a more convenient way of viewing financial aid policy. What can we expect families to pay for their education? What does that mean in terms of tuition and institutionally funded student aid? Can the institution afford this policy?

By viewing financial aid policy in this manner, it becomes a little easier to assess the competitive environment. How does our net price compare with the net prices of our competitors? In many cases this allows an easier assessment of the competitive position between private and public colleges. The net costs of many private institutions after deducting aid are comparable to the tuitions of public institutions, especially for the most desirable students.

Aid Source Dependency

Some institutions are examining policies that restrict their dependence on federal student aid. Every year the higher education community goes through a series of real and imagined scares regarding the curtailment of certain federal programs. Few institutions have the resources to protect themselves from this eventuality. Of particular current concern is the dependency of many institutions on federally supported and guaranteed loan programs.

Some institutions are approaching major donors for support of institutional loan programs in the event that NDSLs or GSLs become unavailable. The loss of federal loans would mean that higher education would become unaffordable for some students. For other students, the loss of these loan programs means a substantial increasee in college costs -- equivalent to a tuition increase. For some

institutions this effective tuition increase will mean the loss of many students, unless privately subsidized loans become available.

Assessing Financial Aid Policy

How do we know whether financial aid policies are working? As with any system, a method needs to be devised to monitor the system's performance. Charts, statistical ratios, and specialized analyses can be used to assess the ways in which financial aid policies affect the institution. In addition, these analyses can be used to define current, unwritten policies by showing how aid is actually being administered.

Charts and Trends

There are several statistics that need to be tracked over time. The number of aid recipients and the proportion of aid recipients out of the total number of students are two key statistics. Most colleges and universities have seen both of these statistics increase in recent years as higher college costs have made more and more students eligible. In addition, as more of the population has become aware of aid programs, a somewhat broader economic range of students has started to attend college.

Total enrollment and related factors such as new-student counts and transfers also need to be tracked to gain a better understanding of the impact of current aid policies on enrollment. Most institutions are interested in the relationship of changes in net cost from year to year against changes in numbers of new students. Few colleges have enough data to draw any sort of statistical inference. In most cases such factors as the economy and rising and falling G.I. benefits have caused greater changes in new enrollments than the modest changes in net costs to students. Nonetheless, it is time to start collecting this data to begin to find each institution's enrollment elasticity regarding net cost variations.

Institutions concerned about their dependence on certain sources of aid need to track their changing dependency ratios. What proportion of educational and general expenditures are supported by federal funds channeled through student aid (including the GSL program)?

Institutions also need to monitor their ability to draw students with differing financial backgrounds. Problems with aid policy can lead to difficulty recruiting historical numbers of low-, middle-, or even high-income students. Occasionally, the difficulty is a result of

the institution's inadequate reaction to changes in federal or state student aid policy. The institution needs to monitor its ability to attract students at all income levels.

Some colleges and universities have tried hard to maintain full-need funding for their students in recent years while federal and state programs have been declining in their support (especially as measured against increasing college costs). The result has been runaway institutionally funded student aid programs. The ratio of the budget for these aid programs to the institution's total budget is one indicator of the demands on the institution by its own aid programs. Some institutions have set limits on this ratio. When the ratio approaches this limit, the institution should begin to re-assess its full-need policy.

Other important statistics include average awards by type of aid, number of recipients by type of award, and ratios of state-to-institutional and federal-to-institutional student aid dollars expended in a year. Finally, institutions need to survey nonrecipients to determine how many would be eligible with small variations in policy. The reasons some students are not receiving aid need to be examined. In some cases, communication breakdowns between students and the student aid office may come to light.

Marginal Cost Analysis

One particularly important factor in determining limits on student aid packages is the amount of revenue each new student brings compared with the amount of direct, extra expenditures which this additional student causes. The extra revenue is usually the tuition discounted by the amount lost because of second semester attrition plus an amount equivalent to the profit on room and board.

For small numbers of additional students, the extra costs are limited to student services, utilities, and business office costs. There are a few instructional and library costs, but for this analysis the number of full time faculty and the volume of library acquisitions are usually thought to be determined by academic program decisions and not by limited increases in the numbers of students.

For most institutions, marginal revenue greatly exceeds marginal cost. New students bring in much more revenue than they add to costs (up to some limiting number when physical or programmatic changes must be made). For purposes of aid policy this usually means that short of about 60-80 percent of tuition, there is no financial limit to using aid to attract new students. Even large awards that attract new students "pay off."

There are two difficulties with this conclusion. First, it is very difficult (and unethical) to isolate true "marginal" students (those who would not attend unless somehow attracted) and give only those students extra financial aid. Failing this, a better aid package to attract more students would have to be awarded to all students. This is considerably more expensive than just using aid to attract more students "at the margin."

Second, even though it may "pay" to use aid to attract more students because the marginal revenue for those students is greater than the marginal cost, the institution may still incur a deficit. That is, no amount of aid may attract enough students to cover the institution's fixed costs. The institution may be able to reduce its deficit somewhat by attracting more students with heavy amounts of financial aid, but at the expense of academic quality and possibly higher attrition.

Analyzing "Packages" By Type of Student

Another important way of improving administrative understanding of current institutional student aid policies is to group students by income categories and to examine the average financial aid package of each group. In most cases, federal aid decreases as one moves up the income ladder. Institutional grant averages may peak in the middle-income levels. Loan and work expectations may or may not vary with income level. Each of these assessments helps articulate current student aid policy. The "micro" student aid package decisions of financial aid officers, when aggregated in these analyses, become evidence of the institution's "macro" aid policies.

The same type of assessments may be done for class level. Do seniors work more than freshmen? Are higher loan levels expected of seniors?

Comparisons

Many statistics can be best interpreted through year-to-year trend analyses and comparisions with groups of similar institutions. Yield ratios or the ratio of new students to admitted students (where some "admitted" students choose to go elsewhere) can be used to measure the relative attractiveness of the institution over time and against other institutions. Similarly, statistics on attrition can reveal trends in the success of aid programs (among other things) at holding students.

Many institutions feel more comfortable after comparing their aid expenditures with other institutions. What proportion of their budget

do they spend? How large is the average award? What proportion of tuition is covered by institutional aid?

One of the keys to keeping track of institutional aid programs is to express program goals in terms of some of the statistics mentioned above. Important criteria for aid program success include yield rates among various types of students, aid-to-budget proportions, and average loan levels of graduates. These statistical goals are also useful for communicating expectations to all levels of the organization.

Organizing to Review and Implement Financial Aid Policy

Administrators need to recognize the differing functions which must be encouraged in order to create a successful aid program. This section does not discuss the organization of the financial aid office. Rather, I am concerned here with highlighting the functions that lead to the effective creation of financial aid policy. Four necessary groups can be identified.

Brainstorming Group

This group is intended to make use of the divergent thinkers on campus. Faculty and trustees can play an important role in this free-thinking, unstructured group. This group is not intended to carry out or articulate policy. Rather, this group looks for weaknesses in current programs and suggests innovative solutions. If this advisory group is well instructed in its role, it will realize the limits of its powers. On the other hand, colleges and universities often make too little use of the true innovative thinkers at their disposal.

This group can be especially important for assessing the marketing impact of student financial aid programs. Are there non-aid ways of attracting students? Is the institution missing whole groups of potential students because of its approach? Is the material being sent out understandable and effective in putting its message across? Are there other messages that can be put across?

Policy Group

This group which includes top administrators must listen very closely to all that the brainstorming group has to say, but it must take full responsibility for the policies it articulates. Financial aid policy must not be made in a vacuum, but must be weighed and devised along with the full set of financial, marketing, academic and administrative policies.

Staff Group

This group analyzes and carries out the policies. In larger organizations some of the analysis is done by a group outside the "carrying out" group. These are the people who must deal with the individuals in a manner prescribed by the policies. These are the financial aid "packagers" and counselors.

Appeals Group

Finally, a small committee needs to be established to evaluate the fairness of awards and other effects of policy on individuals who wish to appeal decisions. This group should not be controlled by any of the other groups, but must have the interest of the organization as a whole at heart, along with a concern for fairness to the individual.

Implementation Aids

In this section I discuss techniques that can assist the administrators in policy making. Many of the techniques are aimed at improving the ability of administrators to handle the large amounts of data that accompany student aid programs.

Trade-Off Analysis

A budget for institutional aid can be decided in one of two ways. Under one philosophy, student aid is a limited portion of an overall budget constrained by scarce resources. This is the "low risk" strategy. Compare this with a strategy that regards the amount budgeted in student aid as an "investment" which brings in a "return" of new students. Many institutions not trying to attract large numbers of new students with financial aid programs must use the low-risk strategy of allocating only a certain portion of their budget for aid. These institutions must employ trade-off analyses in order to determine the amount available for aid.

Under trade-off analysis, the administrator determines whether one unit of one commodity is worth more to the institution than a financially equivalent unit of another commodity. For example, suppose an increase in faculty salaries of one percentage point is financially equivalent to (has the same budgetary impact as) an increase in aid awards of fifty dollars per recipient. Under trade-off analysis, the policy maker must choose between the two alternatives on non-financial

grounds. Would higher faculty pay be of more benefit to the morale and character of the institution than a higher average aid award?

The right way to express the policy alternatives must be found. It might be better to compare percentage point increases in faculty salary with the proportion of need met by all forms of financial aid. Lower salary increases would mean less unmet student need. Using trade-offs, budget making consists of a series of these bilateral adjustments, until the most desirable budget is devised.

Modeling languages assist in making these trade-off analyses. The most widely used is available from EDUCOM Corporation of Princeton, New Jersey. The EDUCOM Financial Planning Model was developed at Stanford University.

Trade-off analysis is one important method for integrating financial aid policy with overall policies. The give and take of trade-off analysis means that financial aid and other policies are modified to fit the realities of budgetary limitations.

Investment Analysis

A higher risk policy-making strategy is available to institutions that believe they have the potential to increase enrollment by improving aid packages. The decision these institutions face is how to spend the "risk capital" available. Should it be invested in new programs or financial aid packages? Would better sports facilities be a better investment? What return might the institution expect on an investment of $25,000 in its student financial aid program? Would the return from that investment be higher than that of a new music program?

If the institution feels that another 50 students could be attracted with some investment, and if each new student brings in $4,000 above marginal costs, then the institution might consider its risk capital to be $200,000. Measuring the potential of this investment is not without hazard unless the institution has been on a growth curve for some time. Uses for this risk capital can be as mundane as increasing financial reserves or as exciting as a new academic program. In most cases, however, the probability of the revenue materializing depends on the power of the investment in attracting students.

Few institutions view additions to their aid programs as investments. Yet, regarding the setting of the aid budget as merely the allocation of scarce resources may be too narrow. There are

situations when these investments are necessary to generate new capital. Resources allocation says little about taking chances.

Grid Packaging

One technique for assisting in the packaging of student financal aid is a simple computer program which keeps track of typical packages by types of students and sums up total institutional funds awarded. The impact of changes in policy can be seen in terms of the changing amount necessary for the aid budget.

Many institutions try to improve aid packages for more desirable students within the needs specified by their families' income. A grid can be devised whose rows are income categories and whose columns are desirability levels, for example six income levels beginning with "under $6,000" category, etc., and six academic achievement categories. Each cell in the grid, corresponding to a given income/desirability category, can be given an aid package from the lowest income, least desirable cell to the highest income, most desirable cell. These average aid packages would show expected loan and work levels on a cell by cell basis. Higher loan expectations might be made for less desirable categories, for example.

Each cell could also be given average levels of non-institutional aid, made up largely of Pell Grants and state grants. These averages might be uniform by income level across desirability columns. All students in a given income group would have the same outside aid expectation regardless of desirability. Similarly, expected parental contributions would be the same category level across desirability categories.

The analyst might then set net price levels on a cell-by-cell basis. Highly desirable students might be given the lowest net costs. The average institutional grant in each cell could then be computed as the student's budget for the cell, less the net cost (which includes the expected parental and student contribution and the aid "gap"), less loans, less work awards, and less the average outside aid award. Net costs would be set to maximize the institution's ability to compete for each group of students, limited by the scarce resources of the budget.

A computer program would allow the iterations necessary to adjust loan levels, work levels, and net costs on a cell-by-cell basis until an overall level of institutionally-funded student aid expenditures is arrived at which is reasonable within the overall budget. The cell-by-cell display could also be used to communicate more effectively the way in which the broader policies would be implemented. Debate could then be more reasonably focused on the loan levels and net prices in various cells as well as the limitations of the total institutionally-funded aid budget.

To further enhance the analysis, yields (new students as a proportion of acceptances) on a cell-by-cell basis may be examined. Few institutions have that data readily available. However, as aid policies become more carefully articulated, yield analyses will have to become more detailed. The institution needs to monitor yields to know if its less "sweet" aid packages are too generous. Is the institution getting more and more of the least desirable students? More importantly, the institution needs to know its success with regard to the most desirable students. Have higher grant levels, lower loan levels, and lower net costs improved the yield of those more desirable students who apply?

Market Analysis

Enrollment market share is important in assessing an institution's competitive position. Many institutions compete in more than one market, and it becomes important to monitor how well the institution is doing in each market. For example, an independent liberal arts college may be competing both against more prestigious independent institutions and against large state systems. One marketing strategy may call for upgrading programs (and tuition) and competing more directly against the more prestigious independent colleges. Another strategy might be devised with more favorable aid programs which cause more direct competition against the publics.

In either case important "investment" decisions (more aid or higher quality programs) are determined by the marketing strategy chosen. The basis of the choice is the potential gain of students from either market and the institution's possible success with either strategy. The prestigious market share may have only a negligible effect on enrollment. On the other hand, the public market may be large, but the probability of successful price competition may be small.

An historical perspective of trends in either market may be helpful. The American Council on Education maintains an enrollment file of all colleges starting with the HEGIS survey of Fall 1969. For a small fee, they will calculate the market share of an institution if the competing institutions in the market are specified.

For the analysis discussed above, an institution could specify two separate analyses: competing public institutions and competing independent prestigious institutions. The institution could then use as its enrollments in the public sector only aid recipients; enrollments in the independent group could be the institution's total number of students not receiving aid each year. These two enrollments could be used to determine market share. Gains in either sector could be considered favorable for a marketing strategy moving in that direction. If

statistics could continue to be collected into the future, the institution would be able to monitor the success of its chosen strategy.

Market share analysis has the advantage of discounting swings in overall enrollment affecting all institutions; only gains or losses against competitors are noted. In addition, the differential appeal of the institution to different types of students can be measured by gauging enrollments against different types of institutional competitors.

While this analysis is discussed last, it should be undertaken first. The institution should decide who its true competitors are and should decide the direction of its marketing strategy early in its planning process. If that policy calls for more institutional aid to students, then the student aid budget may be set. Overall marketing policy can have a major impact on institutional student financial aid policy.

Review

Student financial aid policy making must occur within the overall planning process which goes from long-range goal setting to detailed budgets for the next year. Strategies for dealing with financial risk and for marketing the institution provide the context for tuition and student aid decisions. Setting student financial aid policy requires that administrators go through the following stages.

Examine the data. What do trends show? How is aid being awarded now? By income group? By class level? How dependent is the institution on certain sources of aid?

Articulate the policies. What are the limits on loans? How much need is met? How is the amount available for institutionally-funded student aid set? How is this aid distributed?

Examine the options. What other ways of distributing the funds exist? How else might institutionally-funded student financial aid be budgeted?

Decide on or re-affirm student financial aid policies. Choose an option. Evaluate the option within the overall policy structure. Is it budgetarily feasible?

Lay out implementation strategies. How will the aid be packaged? How can aid administrators keep within guidelines?

Examine the data again and decide if the policies are working. Use the trends, ratios, and tables from the new year to monitor performance.

HOW ONE COLLEGE CHANGED ITS POLICIES: A CASE STUDY

Christoper Toppe

In the previous section of this monograph, Nathan Dickmeyer addressed several key areas of institutional financial aid policy and discussed how institutional planners can examine their current operations through data collection and analysis. This case study looks at a college that has gone through such an examination over the last two years.

This institution, a small liberal arts college, participated in the National Institute of Independent Colleges and Universities/State Association Executive Council Senior Executive Workshops on financial aid planning each of the last two years. For each year the college submitted student aid recipient data to NIICU for aggregation and analysis, and sent key administrators to the workshops to discuss policy implications of the data. This college planned and instituted several key changes in its financial aid policies and operations, based on knowledge these administrators developed from the first year's data analysis and workshop. The changes were verified by the data analysis and workshops the second year. These changes are the primary focus of this paper.

This college has had a stable enrollment of about 800 students for the last several years, with about 90 percent of its students receiving some form of financial aid. Both the college and its students, then, have been heavily dependent on financial aid. This dependency on student aid requires careful planning of aid policies and operations. Further, changes in the availability of aid (such as cuts in the federal student aid budget) could have dramatic effects on this college and the ability of its students to afford to attend. These potential effects will also be examined in this case study.

This college adopted two major policy changes as a result of the first workshop. First, the college began to target institutional financial aid toward increasing the academic quality of its students, both returning students and first-time students. This was accomplished by increasing the amount of institutionally-funded aid and by, in the words of its president, "going after quality students with institutional dollars." Second, the college made the distribution of institutional aid more equitable, so that dollars went to students at different academic levels and to students with different parental incomes in proportion to their distribution in the school's population. This last policy action was taken to make up for previous inequities in the distribution pattern which were being passed from year to year as students climbed the academic ranks.

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In addition, this institution increased academic and personal advising in the student services area and expanded its programs for helping students with academic difficulties. From an overall perspective, the college focused financial aid to attract and retain students of high academic ability and expanded student services to retain current students and improve their academic production. Again, quoting the president, their "between semester retention was the highest ever, from 88 percent (in 1980-81) to 93 percent (in 1981-82)," which he considered to be a sign of the success of these policy changes.

The kinds of data they saw in 1980-81 and 1981-82, before and after the policy changes, are described in the remainder of this paper. Additionally, some areas of potential concern are highlighted.

1. Characteristics of Student Aid Recipients

As stated earlier, this college has had a stable enrollment for the last several years, with about 90 percent of the students receiving financial aid. Since such a high proportion of the college's students receive financial aid, the characteristics of its aid recipients should closely reflect the overall characteristics of its student body. Additionally, changes in recipient characteristics over the two years for which data are available should closely reflect overall changes in the entire student population.

Table 1 shows the characteristics of aid recipients for the two years covered in the workshops. This college had more than 700 aid

TABLE 1

KEY CHARACTERISTICS OF RECIPIENTS
OF STUDENT FINANCIAL AID
1980-81 and 1981-82

Percentage of All Recipients

	1980-81	1981-82
Full-Time	95%	98%
Part-Time	5%	2%
White	93%	93%
Minority	7%	7%
Male	60%	53%
Female	40%	47%
Parental Income:		
Under $12,000	25%	28%
$12,000 to $18,000	20%	14%
$18,000 to $30,000	41%	38%
Over $30,000	14%	20%

recipients each year, and approximately 95 percent of these recipients were full-time students; males slightly exceeded females in number, and about eight percent of the recipients were minorities. This college primarily serves students from middle-income families; approximately 40 percent of the aid recipients came from families with parental incomes between $18,000 and $30,000, and another 15 percent between $12,000 and $18,000.

While there were no major changes in the above characteristics of recipients and, by default, the entire student body, there were some interesting changes in other key characteristics: dependency and academic level.

In 1980-81 almost 20 percent of this college's recipients were independent students, but in 1981-82 this percentage declined to 10 percent. This is similar to the national trend which shows decreases in the number of independent students.

The most interesting change from 1980-81 to 1981-82, however, was revealed in the breakdown of aid recipients, and presumably the entire enrollment, by class in college. In 1980-81 the ratio of freshmen to seniors was about one-to-one, with each class making up about 25 percent of the total enrollment. In 1981-82, however, the ratio of freshmen to seniors declined to 2.7 to 1, seniors making up only 15 percent of the population and freshmen increasing to 40 percent. In the following table (Table 2) these changes are shown by expected date of graduation so that the same group of students can be followed from one year to the next.

TABLE 2

NUMBER OF AID RECIPIENTS BY ACADEMIC CLASS			
	Academic Year		
Class of	1980-81	1981-82	Gain/Loss
1980-81	200 (seniors)	0 (graduates)	-200
1981-82	200 (juniors)	110 (seniors)	-90
1982-83	170 (sophomores)	150 (juniors)	-20
1983-84	190 (freshmen)	160 (sophomores)	-30
1984-85	0 (high school)	290 (freshmen)	+290

In this table it can be seen that the school lost 200 students to graduation and replaced them with 290 new freshmen. But it is also shown that of 200 juniors in 1980-81 (class of 1981-82) only 110 are now seniors, a loss of 90 students; of the 170 sophomores in 1980-81 (class of 1982-83) 150 are now juniors, a loss of 20 students; and of the 190 freshman in 1980-81 (class of 1983-84) 160 are now sophomores, a loss of 30 students.

This attrition in returning students can be a very expensive occurrence because the cost of attracting a replacement student has to be added to the cost of institutional aid needed to help that new student decide to accept the offer of admission. For example, if this college spends an average of $700 per student in marketing, then the cost to the institution for a new freshman is at least $700 more than the cost of the institutional aid offered to that new student. It is this cost per matriculant argument that colleges frequently use to justify using institutional dollars for financial aid targeted to retention rather than marketing.

This type of policy change could be explored by this college. For example, it could allocate an additional $400 per student in institutional aid to promote the retention of a certain number of current students, perhaps 50, for a total of $20,000. This same $20,000, if put into admissions, could also be used to attract an average of about 30 new freshmen. Keeping the current students could result in a net gain of 20 students. Simple? Not really. This kind of decision is really much more complex than outlined here, involving concepts such as marginal cost per student, net revenue per student, and interactions with other institutional policies, which are beyond the scope of this case study. The example does point out, however, one way the college can use its institutional funds to maintain enrollments, something which its attrition rate suggests is a proper goal.

2. What Kind Of Aid And How Much?

So far it has been shown that this college is highly dependent on student financial aid, with over 90 percent of its students receiving financial aid over the last two years. Furthermore, it has been shown that there has been a change in the ratio of dependent to independent students, and in freshmen to seniors. Now I will turn to the quality of the financial aid package, examining what kind of aid these students receive and how much. Any changes, especially in the area of institutional aid, will reflect changes in how such students pay for this college as well as in specific institutional policies.

One of the concepts Nathan Dickmeyer discussed in his article is net cost, the actual out-of-pocket expense to the student (and his or her family) to attend a college. It includes expected parental contribution (which is derived by formula); expected student contribution (which includes summer earnings); and the aid gap (which is the difference between total costs and total resources). Total resources include parental and student contributions, and all forms of aid (grants, work, and loans) which make up the aid package. (See the following article, A Financial Aid Planning Worksheet by Green, Toppe and Atwell, for a further discussion of net cost.)

In 1980-81, students attending this college had total budgeted costs averaging $4,969. Contributions from parents averaged $573; contributions from students averaged $392; and total aid averaged

$2,946. The gap or remaining need, then, averaged $1,058 per student ($4,969 minus $573 minus $392 minus $2,946), leading to a net cost of $2,023 ($1,058 plus $573 plus $392). (See Table 3.)

In 1981-82, total costs averaged $5,876, an increase of 18 percent from 1980-81. Contributions from parents rose 52 percent to $871; student contributions declined 43 percent to $230; and total aid rose six percent to $3,087. The gap between total costs and total resources also increased, by 60 percent, to $1,688. Net cost, then, rose to $2,788, an increase of 38 percent.

Table 3

COMPARISON OF NET COSTS
1980-81 and 1981-82

	1980-81	1981-82
A. Budgeted Costs	$4,969	$5,876
B. Parental Contribution	573	871
C. Student Contribution	392	230
D. Total Aid	2,946	3,087
E. Gap	1,058	1,688
F. Net Cost (B + C + E)	2,023	2,788

Since it is known that total aid was up slightly, about 6 percent, this net cost calculation shows some of the impact of inflation on the cost of attending college. While inflation drove up budgeted costs 18 percent, a large but not unusual increase, the real impact was on parental contributions. With increased incomes and increased assets, chiefly home equity, expected parental contributions increased dramatically. Like so many other independent institutions, this college found that costs were increasing faster than aid revenues, with expected parental contributions growing even faster, leading to a dramatic increase in out-of-pocket costs to students and their families.

As might be expected, the increased parental contributions accompanied a decrease in federal student financial aid (see Table 4). Total federal aid declined from $1.24 million to $1.20 million, with Pell Grants dropping from $399 thousand to $356 thousand. The most serious declines were in the SEOG and College Work-Study (CW-S) programs. SEOG dropped from $90 thousand to $41 thousand, while CW-S declined from $230 thousand to $114 thousand. On the other hand, the volume of Guaranteed Student Loans increased from $249 thousand to $380 thousand, following the national trend toward financing higher education through this repayable form of federal financial aid.

Table 4

FEDERAL STUDENT AID 1980-81 and 1981-82		
	1980-81	1981-82
Total Federal Aid	$1,243,500	$1,202,000
Pell Grants	399,000	356,000
SEOG	90,000	42,000
NDSL	265,000	252,000
CW-S	230,000	114,000
GSL	249,000	380,000
Other	10,500	58,000

This college is fortunate to be in a state with state aid for resident students attending independent colleges and universities. From 1980-81 to 1981-82, state aid to students attending this college increased 7.7 percent, from $478 thousand to $514 thousand.

Turning now to institutional aid, the change in institutional policy resulting from participation in the NIICU/SAEC workshops can be revealed. This change in policy was a renewed emphasis on institutionally funded merit-based grants, a change which essentially resulted in eliminating $175 thousand in institutional need-based grants and adding $336 thousand in institutional merit-based grants. Overall, the institution had a 38 percent increase in institutionally funded aid from 1980-81 to 1981-82.

As might be expected, this change from need-based to merit-based aid tended to equalize the distribution of institutional funds across parental income categories. The following table, Table 5, shows this change.

Table 5

COMPARISON OF RECIPIENTS TO POPULATION FOR DISTRIBUTION OF INSTITUTIONAL AID				
	1980-81		1981-82	
	Recipients	Population	Recipients	Population
Under $12,000	20%	25%	22%	22%
$12,000-18,000	20%	20%	11%	11%
$18,000-30,000	33%	42%	43%	43%
$30,000-36,000	20%	11%	11%	11%
Over $36,000	7%	3%	13%	13%

In 1980-81 institutional aid was distributed more heavily to those students with higher incomes, presumably because they were less able to meet full cost with other aid sources. In 1981-82, however, aid was distributed based on merit first and the distribution that resulted mirrored the population.

Another change in the distribution pattern of institutional aid was in the academic category area. In 1980-81, as shown in Table 6, the recipient percentages were different from the population percentages in terms of academic level. More freshmen and seniors received institutional funds than their representation in the population would indicate, but juniors were underrespresented. In 1981-82, the distribution of institutional aid more closely reflected the population percentages.

Table 6

Percentage Distribution of Institutional Aid by Academic Level

	1980-81		1981-82	
	Recipients	Population	Recipients	Population
Freshmen	35%	25%	44%	41%
Sophomores	23%	22%	22%	22%
Juniors	10%	26%	22%	22%
Seniors	32%	26%	13%	15%

These were the major changes from year to year in institutional aid distribution for this college. Both the shift to merit-based aid (accompanied by an increase in institutional funds) and the changes in the distribution patterns by parental incomes and academic level were planned, based on analysis of the first year's data and attendance at the NIICU/SAEC workshops. This college should now focus on ways institutional aid can be used to support retention as a way of assuring enrollment stability.

3. Institutional Dependency On Financial Aid

Very few statements can be made about the finances of independent higher education as strongly as this: independent colleges and universities depend on payments from students for their financial survival. At a small liberal arts college such as the one under study, it is not at all unusual for 60 percent of the college's revenues to come directly from students. Likewise, students attending independent institutions depend on student financial aid to help cover their budgeted expenses.

In this section I will focus on the college's dependency on student aid revenues to support its educational and general (E&G) budget. This situation requires that aid revenues be allocated to those used by students to cover their tuition and fees, and that the college's E&G budget be apportioned to reflect that part which comes from tuition and fees. For example, if tuition and fees account for 60 percent of total budgeted costs to students, then 60 percent of total

aid revenues should be allocated to covering tuition and fees. Further, if 50 percent of the school's E&G budget comes from tuition and fees, then 30 percent (50 percent of 60 percent) should come from financial aid revenues.

As mentioned earlier, this college increased tuition and fees by 18 percent while its total aid revenues increased only 2 percent. It should not be surprising to find that the percentage of this school's E&G budget supported by student aid declined from 29 percent in 1980-81 to 21 percent in 1981-82.

In both years institutional aid covered about 4 percent of the college's E&G budget, and state aid actually increased from 5 percent to 7 percent. Federal aid, on the other hand, declined from 17 percent to 11 percent.

The chief reasons for this federal decline were drops in the Pell Grant, NDSL, and CW-S programs. Pell Grants dropped from six percent in 1980-81 to three percent in 1981-82; NDSL from four percent to two percent; and CW-S from four percent to one percent. A slight increase in GSL, from three percent to four percent, somewhat offset these drops. (See Table 7.)

Table 7

INSTITUTIONAL DEPENDENDENCY ON STUDENT FINANCIAL AID
(AS A PERCENTAGE OF EDUCATIONAL AND GENERAL EXPENDITURES)

	1980-81	1981-82
Institution	4%	4%
State	5%	6%
Federal	17%	11%
Pell	6%	3%
NDSL	4%	2%
CW-S	4%	1%
GSL	3%	4%

It is important to realize that this drop in the contribution of federal aid to the institutional operating budget occurred before the implementation of proposed federal student aid budget cuts. I have already noted the large and significant increase in the net cost to aid students and their families, an increase caused primarily by increased costs and inflation. If the proposed budget cuts are ever enacted it is certain that net cost will suffer another major increase.

Summary

In this paper a college that made some deliberate changes in its financial aid policies has been described. These changes -- a targeting of institutional financial aid funds toward increasing academic quality and a change in the distribution pattern of institutional aid -- resulted from examinations by the administration of this college of their student aid data at the NIICU/SAEC student aid workshops.

It has been shown that this college set out to target its institutional aid to support academic quality. Data provided by the school for the second year (1981-82) showed they were successful. It has been seen further that this school sought to improve the equity of the distribution of institutional aid. Again the data for the second year showed they had been successful.

Over the next several years this college may want to address some of the issues raised in this case study: How can financial aid be used to improve retention; and how will the net cost of this college increase as federal aid funds are reduced, and can the growth in net cost be reduced by increasing institutionally-funded financial aid. Some of the questions this college's administrators may want to consider include:

> What is the perceived value of our institution?
>
> How much are these students and their families willing to pay to attend our college?
>
> How high can we let net cost go without losing students?
>
> How much in institutional funds can we put into student financial aid? What other parts of the institution will have to do without those funds and with what impact?
>
> To what extent can we establish a dual pricing policy in which full price students, those who attend without financial aid, subsidize aid recipients?
>
> Can we expect to maintain our current mix of students across parental income groups? Can we expect enrollment to remain constant if the lower income students can no longer afford us?
>
> How will our aid distribution policies have to change so that we maintain both our academic quality and our enrollment?

There is no doubt that this college has made significant changes over the last two years, and further that it is in a good position to continue to change over the next several years. The issues it faces are not easy ones, but it seems to be prepared to assume the responsibilities these issues require.

A FINANCIAL AID PLANNING WORKSHEET

Madeleine Green,
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Financial aid is a crucial component of institutional budgeting and planning. Approximately 60 percent of all students in private institutions receive some form of aid. The institution's financial picture will be affected by many variables which interact with each other including enrollments, cost of attendance, supply of external funds for financial aid, and the amount of institutional money spent on financial aid.

The purpose of this worksheet is to give you a clear picture of the relationship of financial aid to your overall institutional budget and to highlight the policy and financial implications of decisions surrounding financial aid. You are asked to array data on the cost of attendance, the need for financial aid, the available supply from external sources, especially from the federal government, and from your own institutional resources. The array of these data will enable you to see the relationship between decisions you make about the need for tuition increases, for example, to offset a decrease in federal financial aid or perhaps, the decision to put more institutional funds into aid. The worksheet is designed to show the interdependence of your institution's total budget with its financial aid component, and of the policy decisions you make concerning available institutional aid, pricing, and aid packaging.

First, certain basic parameters are established, such as the enrollment level and the cost of attendance. Enrollments are, of course, subject to fluctuation, and drive the supply of tuition dollars. The cost of attendance is also variable, and tuition and room and board charges can be raised to cover increasing costs as well as to cover a dwindling supply of external financial aid. Tuition pricing, a key decision point for independent institutions, is discussed in more detail below.

Next, the profile considers the demand for financial aid, including the numbers of students requesting aid and the number of students actually receiving aid. These two factors raise issues about institutional policies that govern the distribution of available aid money: are you distributing some aid to all students requesting aid?; deciding to meet only a certain percentage of need for all students?; meeting a higher proportion of need for those students with greater need? If your institution meets less than 100 percent need, the profile then calculates the extra burden on the student and family required to cover the colleges costs, that is, the contribution which

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is over and above the estimated family contribution calculated by the institutional needs analysis. Thus, the impact of your aid policy on the individual student becomes evident.

Another important calculation relating to demand is the proportion of the student body requiring aid. Increasing demands may indicate that family incomes have not kept pace with the increases in cost of attendance, while the reverse may indicate that the cost of attendance has risen roughly at the same rate as or more slowly than family income. Trends in demand, then, should be related to decisions about pricing.

On the supply side, the various sources of student aid are listed, so that you can see the relative proportion that federal, state, and institutional funds contribute to the total aid fund. The total supply of aid contrasted with the total demand informs you of the sufficiency of your aid supply, and the average amount available per student with need, or per aided student.

After available aid dollars are calculated, the profile examines aid packaging policies and student costs. Average unmet need is identified, as well as the net costs per student (out-of-pocket expenses for family and student). The composition of the aid package is examined, including the dollar and percentages of grant, work, and loan components.

Finally, the impact of both externally funded and institutional aid is assessed. In calculating the impact of all aid dollars, you can roughly separate those dollars that flow to the institution through tuition and fees, and compare that figure with the total educational and general expenditures (E&G) budget. Financial aid is also looked at as a percentage of the cost of attendance and as a percentage of all student generated income. Finally, the proportion of the educational and general expenditures (E&G) budget used for unrestricted student aid is calculated, an important factor in institutional budgeting.

Many of the policies governing financial aid are described in great detail by Nathan Dickmeyer in the paper, "Institutional Policies for Student Financial Aid," appearing earlier in this book. Readers are advised to review that article prior to completion of the institutional profile.

Ideally, this model should be an interactive computer model, which would allow the user to change assumptions ("our enrollment will decrease," or "level of student need will increase") and see the consequences about how much money will be needed to provide financial aid according to these different scenarios. The model here is the first stage of such a computerized model under development by the National Institute of Independent Colleges and Universities (NIICU) and by the American Council on Education (ACE). For this worksheet, you

should plan to complete the form several times, changing projections about such variables as enrollment, tuition and fees, number of students with need, etc. Instructions for completing the worksheet follow.

1. Enrollments

History and trends in enrollments are crucial to institutional planning and to understanding the impact of financial aid. Most independent institutions are heavily tuition dependent (with an average 55 percent of the E&G budget accounted for by tuition and some as high as 80 percent). Thus, enrollment levels are key to the financial health of most independent colleges.

You are asked on the form to project enrollments for the next two years. Since most financial aid offices count "heads" and not full-time equivalent (FTE) we suggest that headcount projections are at least as important as FTE projections. Keep in mind as you project information you have gathered on national and regional demographics: Who are your students now? Will they be the same group in a few years? How large is the pool of these students a few years out?

2. Cost Of Attendance (COA)

This section provides information on what it costs a student to attend your college, including tuition, room and board for resident students, commuter allowances for non-resident students, and personal allowances for books, travel and personal items. You are asked to project what you will be charging students for the next two years and other variations in costs that you foresee. (Note: In constructing student budgets, many institutions fail to increase personal allowances enough to keep pace with inflation and the rising cost of living. The effect of this is to artifically lower the COA, and thus need.)

You will want to try different assumptions as you complete the table a few times: tuition and fees might rise with inflation (say a steady 7 or 8 percent a year) or rise sharply enough to meet the shortfall in external aid supply caused by federal budget cuts.

3. Student Generated Revenues

This section allows you to see how much money is contributed to the institution's budget by student tuition, and room and board fees for resident students. The two variables here are the number of students and charges to them by the institution, both of which are central to any budgetary planning.

Student generated revenues are equal to 1B (FTE) x 2A (tuition) + 2B.2 multiplied by the number of resident students.

4. Financial Aid Demand

This section provides information on how much financial aid students need to cover college costs to supplement their own contribution and parental contributions (Expected Family Contribution or EFC). EFC includes parental contribution, the student's personal contribution and summer earnings. Need can be calculated as COA - EFC. Expected Family Contribution is computed by the institution using a series of formulas, and does not vary with the price of the institution, but a student's need does. Line 4C tells you how many dollars are needed for financial aid if you want to meet full need. Total need is equal to COA for students with need(4D) minus total EFC for students with need (4E). The average EFC is (6B) derived by dividing the total EFC (4E) by the number of students with need (4A).

It is important to determine whether the number of students receiving financial aid is different from the number of students with need. If this is the case, it should reflect a conscious policy not to spread aid evenly among students with need, but rather to give aid only to some students. On line 4E, you are asked to enter into the analysis any institutional policy you have on the percentage of need your college has decided to meet. For example, if your policy is to meet 85 percent of need, you are creating unmet need, and therefore causing students and parents to contribute more, or creating a new EFC. Line I is the figure for total new unmet need which will presumably have to be covered by extra EFC. It is important to note that whatever dollar amount is required to implement your policy of meeting need, the available aid funds (5I) must equal need, or 4C. This policy takes on significance as you consider it in relation to the institutional funds that you will use to implement the policy. In other words, to the extent that external need-based aid monies are insufficient to implement the policy you set, institutional aid monies must be used to make up the difference. Line J expresses the same notion for the individual student: how much extra will the student have to cover because of the institutional policy not to meet full need. If aid dollars fall short of the demand, institutions have several options for deciding how partially to meet need. One option is expressed above, with an institutional policy of meeting a certain percentage of need across the board. Or, institutions can decide to meet all need of those students with the greatest need and less for those who require less. This form does not reflect aid distribution policies, but rather aggregate figures on the level of need being met.

If an institution does not have a policy on the level of need that will be met, contrasting total aid available with the total demand will yield a percentage of need that you are in fact meeting (5I-4C) indicating de facto policy.

As mentioned earlier, trends in the numbers of students and in the proportion of the student body receiving aid are important to observe. These trends will usually provide information on the ability of family income to keep pace with the increases in the cost of attendance. If the number or percentages drop, this may mean that family incomes are keeping pace with, or rising faster than, increases in the cost of attendance at your institution, or it could possibly indicate that your definition of need is keeping the COA figure artificially low and therefore decreasing the demand for financial aid. For example, failing to increase the figure for personal supplies, books, and travel, will keep your calculated cost of attendance from rising, and therefore generate less need. The proportion of students with need as compared with similar institutions will be useful in assessing your institution's position in the market and the level of aid that will be required to continue to attract the same level of enrollments.

5. Financial Aid Supply

This section accounts for the flow of financial aid dollars from the federal government, the state, and the institution. While the supply of federal dollars is not yet certain, we have listed below some "adjusters" based on the available federal funds as of July 1982. When final decisions are made, these figures may change. To use Pell Grants as an example, in 1982 apply a factor of 0.95 to the previous year's figure, and in 1983-84, apply a factor of 0.95 to the 1982-83 year. Other estimates will be made on institutional history (NDSL) and your best estimates of available funds.

Type	1982-83	1983-84
Pell	0.95	.94
SEOG	0.75	.95
CW-S	0.95	.95
NDSL	(use estimates for your institution)	
SSIG	(use estimates for your state)	
GSL	(use estimates for your institution)	
Institutional	(we suggest you use inflation during the first iteration)	
State	(use estimates for your state)	
Other Aid	(use inflation or your estimate)	

The unrestricted institutional funds devoted to financial aid are, of course, variable. This money is under your control, which you decide to put into student financial aid at the level you wish. The source of these funds may be, as examples, unrestricted gifts, money from the general operating budget and can be used as scholarships, grants, loans, student salaries (including the institution's contribution to CWS). One obvious way to increase available funds for

institutional aid is to raise tuition. An important policy decision lies here, for you must decide what fees are reasonable and competitive given your institution's competition and the extent to which the number of students paying the full price are subsidizing aid to other students.

The amount of unrestricted institutional money used for financial aid is a key budgetary decision. Remember that funds diverted from instruction for financial aid may have an effect on other aspects of institutional health, such as the quality of academic programs. You may want to see several scenarios and their impact on your allocation of institutional funds. If you use simply inflationary adjustors for unrestricted institutional aid, use the following table:

INFLATION TABLE*

To Go From	To:	Use
1981-82	1982-83	7.9%
1982-83	1983-84	7.5%

If you decide to put more institutional money into financial aid, you must decide what is the tolerable limit beyond which you will do serious damage to other areas of the institutional operations.

6. Aid Packages And Student Costs

The aid package refers to the combination of grants, work, and loans that the student will use, in addition to his or her own earnings and contribution and parental contribution to pay the costs of attending college. We start in this section with the COA, calculated earlier in the profile, and then adding EFC (6B) and unmet ned (6C) to arrive at net cost. The net cost is equal to the out-of-pocket costs to students and their families, or their expected family contribution plus any need remaining after the aid is awarded.

Net cost is an important indicator of your financial aid packaging policies. In other words, it is the total cost, minus grants, loans, and work (6A minus 6E 1,2,3). It is possible for an institution with a higher cost of attendance to have a lower net cost per student because of the size of the aid package, or for an institution with a lower COA to actually have a higher net cost. If the financial aid package is relatively large. it reduces the net cost so that your institution may have a lower net cost than a college whose price is lower and whose aid package provides less relief for the student and family

The aid package is broken down into its three components: grant, work, and loan; and the percentage of the package and dollar amount are calculated. Again, these proportions reflect institutional policy decisions and enrollment patterns. The most attractive packages have a higher grant component, but in the face of shrinking federal funds, maintaining a constant grant component by adding unrestricted

institutional funds may be an intolerable financial burden for the college. Similarly, decisions must be made about the level of debt that is tolerable or desirable for a college graduate (or for those students who do not graduate). To calculate the proportion of the packages that are grant, loan, and work in E1, E2, and E3, first take the total of all the grant funds (5A, 5C, 5G, 5H). Note that by including 5H, in the grant portion of the package (6E,1), we assume that all institutional aid monies are being used for grants; if this is not the case, adjust accordingly, by apportioning among the three components of the aid package, and then divide by the number of aid recipients (4H). Do the same for loan funds (5B and 5E divided by 4H), and for work (5D divided by 4H).

7. Institutional Revenues

This section asks you to list the sources of revenues for the institution. These various dollar amounts will be used in later calculations in item 11.

8. Cost Of Attendance (All Students)

This section asks you to calculate total cost of attendance (COA) for all students. These amounts will be used in later calculations in item 11.

9. Weighted Total Cost Percentages

In item 9, you are asked to calculate weighted total costs, expressed as percentages so that need can be apportioned among the three components of COA -- tutition and fees, room and board, and other expenses. This will serve to separate that portion of the financial aid money that flows to the institutional E&G budget through tuition and fees. To make these calculations, work from the proportions of COA that the three elements comprise, as described in item 8. For example, suppose that total COA is $8,000,000 ($800 COA x 1000 FTE); tuition and fees total $4,800,000 ($4,800 tuition x 1000 FTE); room and board totals $2,400,000 ($2,400 average room and board cost x 1000 FTE), and other expenses equal $800,000 (other expenses of $800 x 1000 FTE). The percentage of the total COA for each category can be calculated by dividing each total by total COA. Tuition and fees equals 60 percent of COA, room and board equals 30 percent and other expenses equal 10 percent of COA.

10. Total Financial Aid Allocations

This section allows you to see the dollar amounts of financial aid monies that are allocated to the components of student costs. You will note that only tuition and fees (10A) and room and board charges (10B) flow to the institution. Monies for other expenses do not generally flow to the institution, but are important to students in meeting their budgeted expenses.

11. Dependency Indicators

Using the information calculated above, item 11 indicates how dependent your institution is on financial aid as a source of revenue.

In 11A, your first calculation is the percentage of the E&G budget derived from tuition and fees. The higher this percentage, the more dependent your institution is on maintaining enrollments. Then, in 11B, you can look at what portion of that tuition income actually comes from financial aid, further breaking down the analysis to isolate the tuition and fees. Remember that some financial aid monies will go toward non-E&G expenses such as payment for room and board, and that the institution will not receive all that portion of the financial aid money that students use to cover personal and travel expenses (2C). Item 11C indicates the proportion of tuition and fees covered by financial aid. Item 11D indicates student dependency by highlighting what proportion of the COA of aided students is met by financial aid. For example, if total aid funds equals $2,000,000 and 500 aided students have a total COA of $4,000,000, then financial aid is covering 50% of their total costs. Student dependency, of course, becomes institutional dependency, since presumably a portion of students receiving aid will choose to, or be forced to, go elsewhere if the proportion of COA being covered by aid or net cost cannot be maintained. Finally, in 11E, the total financial aid dollars flowing to the institution through tuition and fees and room and board are contrasted with total monies generated by these two categories, or student generated revenues.

Institutional Aid

Item 12 represents an area of important decision making. Institutions may decide to put a ceiling on the amount of unrestricted funds used for financial aid, defining the tolerable limit that will not do violence to other areas of expenditures, or may try to increase the amount spent as much as possible, up to meeting 100 percent need. The latter course of action, especially in the face of federal cutbacks, is likely to be a perilous one. By adjusting the figure of unrestricted funds spent on aid, you can go back and revise the supply side, thus changing the aid sufficiency, and the size and composition of financial aid packages. The notion of "trade-offs" as outlined by Dickmeyer in an earlier article is particularly useful here. If an extra $100,000 were to be put into financial aid, it raises the questions, among others: What expenditures elsewhere in the institution would have to be curtailed? How many percentage points in faculty raises must be given up or what equipment purchases must be deferred in order to finance that extra aid? Lastly, the calculation of unrestricted aid as a percentage of the E&G budget will signal how much of the money that supports the heart of the academic enterprise is being used to bring students to the institution.

Conclusion

This profile raises more questions than it answers, but these are important questions for administrators to consider in allocating currently available resources and planning for the future. It should enable you to array information in such a way that you see the relationship between student enrollments, cost of attendance, external financial aid, and institutional dollars that you decide to put into financial aid. While it provides a "macro" picture, it does not tell you about the effect of your financial aid policies on different groups of students: For example are there trends in applications or attrition among different groups of students, according to parental income or ethnicity? Do you need to adjust your financial aid distribution policies to develop or preserve a certain composition of your student body (e.g., saving the institutional grant money for the most needy)? These too are important questions for senior administrators and financial aid officers to address, but a prerequisite to policy development on the distribution of funds is a firm grasp of the institutional budget parameters within which you are working. These parameters should be much clearer on completion of this profile.

	1981-82	1982-83	1983-84	1984-85
1. ENROLLMENTS				
A. Headcount				
B. FTE				
2. COST OF ATTENDANCE (COA) PER STUDENT				
A. Tuition				
B. Room and Board				
1. Off campus				
2. Resident Student				
C. Books, supplies, travel, personal expenses				
D. Total: Add A, average of B1 + B2, and C				
3. STUDENT GENERATED REVENUES (Multiply 1B x 2A, + 2B x number of resident students)				
4. FINANCIAL AID DEMAND				
A. Number of students with need				
B. Average need per student				
C. Total need (4A x 4B) or (4D - 4E)				
D. COA for students with need (2D x 4A)				
E. Total EFC (4D - 4C)				
F. Institutional policy concerning percentage of need to be met (enter % if one exists, if not, leave blank)				
G. Need school will meet (4F x 4C)				

	1981-82	1982-83	1983-84	1984-85
H. Number of students receiving aid, if different from 4A				
I. Total extra EFC (unmet need)(4C - 4G, or minus 5I if 4C (need) is greater than supply 5I)				
J. Extra EFC per student (unmet need)(4I divided by 4A)				
K. Percent of total enrollment receiving aid (4H divided by 1B)				
5. FINANCIAL AID SUPPLY				
A. Pell				
B. NDSL				
C. SEOG				
D. CWS				
E. GSL (in aid packages only)				
F. Other federal				
G. State				
H. Institutional				
I. TOTAL				
J. Aid Sufficiency (5I divided by 4C)				
K. Average aid per student with need (5I divided by 4A)				
L. Average aid per recipient (5I divided by 4H)				
6. AID PACKAGES AND STUDENT COSTS				
A. COA (2D)				
B. Average EFC per aided student (4E divided by 4H)				
C. Average unmet need (4J)				

	1981-82	1982-83	1983-84	1984-85
D. Net cost (6B plus 6C)				
E. Average aid package (5I divided by 4H)				
1. Grant/Scholarship (dollar amount/percent of package)				
2. Loans (dollar amount/ percent of package)				
3. Work (dollar average/ percent of package)				
7. INSTITUTIONAL REVENUES				
A. E & G Revenues				
1. From fees (1B x 2A)				
2. From gifts and investment income				
3. From public appropriations				
4. All other sources				
5. TOTAL				
B. Auxiliary Revenue				
1. Room and board (2, B2 x number of resident students)				
2. All other sources				
3. TOTAL				
C. Total revenue (7A,5 + 7B,3)				
8. COA (Total Enrollment)				
A. Tuition and Fees (2A x FTE)				
B. Room and Board (2B x number of resident students)				
C. Other (2C x FTE)				

	1981-82	1982-83	1983-84	1984-85
D. Total COA for all students (FTE x 2D)				
9. WEIGHTED TOTAL COST PERCENTAGES				
A. Tuition and Fees (8A divided by 8D)				
B. Room and Board (8B divided by average of 2B,1 and 2B,2 x FTE)				
C. Other (8C divided by 8D)				
10. TOTAL FINANCIAL AID ALLOCATIONS				
A. Tuition and Fees (9A x 5I)				
B. Room and Board (9B x 5I)				
C. Other (9C x 5I)				
11. DEPENDENCY INDICATORS				
A. Tuition and Fees as percent of E&G (7A,1 divided by 7A,4)				
B. Financial Aid Income for Tuition and Fees as Percent of E&G (10A divided by 7A,4)				
C. Financial Aid as percent of tuition and fees (10A divided by 8A)				
D. Financial Aid as percent of COA of aided students (5I divided by 4H x 2D)				
E. Financial Aid for tuition and fees, room and board, as percent of student generated income (10A + 10B divided by 3)				
12. INSTITUTIONAL AID				
A. Restricted				
B. Unrestricted				

	1981-82	1982-83	1983-84	1984-85
C. Total (A + B)				
D. Unrestricted as a Percent of E&G (12B divided by 7A,4)				
E. Total Institutional Aid as a percent of total tuition and fee income (12C divided by 7A,1)				

SOME WAYS TO STRETCH SCARCE FINANCIAL AID RESORUCES

Virginia Hodgkinson

For the next few years, most college and university administrators will be taking a careful look at student financial aid programs in order to get the maximum use of these resources. Suffice it to say, those colleges that know their clienteles and their patterns of aid-packaging will be ahead of the game for planning any changes in the distribution of student assistance.

Here are fifteen ideas to consider as you search for means to get the most from your aid resources. These ideas come from reading and listening and, most recently, from six regional NIICU workshops on Student Aid Planning and Educational Policy.

1. Increasing Parental Contributions

It pays to look carefully at the family financial profiles presented by the various needs analysis groups for two pieces of information: number of children in college, and house value. If there are two or more family members in college, a check on what college they are attending and the cost of the college is useful. The difference in budgets between a local community college and an independent college can be substantial. So, an examination of college attendance by family members can make a major difference in assessing parental contributions.

Information about when a family bought their home and about changes in real estate values also can mean major savings to the college. One college financial aid officer who did this evaluation was able to increase parental contributions for 80 percent of recipients. This is because most homeowners list the value of their property according to purchase price rather than current value.

2. The "Self-Help First" Plan

Many colleges are moving to the "self-help first" packaging plan. Based either on a percentage of total student budget or a specific dollar amount, colleges set a self-help policy. For example, some colleges are requiring that the first $1500 or $2000 of student costs be funded through self-help which includes loan and work. Some colleges increase this amount to include the student's expected contribution. The advantage of this approach is that precious grant dollars are saved, and several students come in at the floor of self-help need.

3. Guaranteed Student Loans First

Because of the current availability of Guaranteed Student Loans, many colleges have moved to the "GSL-first" plan. That is, the first $2500 of any package must be GSL. This "flip-side" method helps to limit the number of need-based aid recipients and avoids a drain on grant funds. Other colleges have integrated GSL as part of their required packaging policy which calls for a certain amount of loan funds in addition to grants and work-study. Using GSL as part of the package has allowed some colleges to restrict NDSL loan funds to juniors and seniors, thus providing low interest loans to those students who remain at college.

4. Packaging State Grants

Another way of stretching resources is to award state grants as part of the package offered to students, thus encouraging qualified students to apply for state grants. One college that adopted this practice increased state grant dollars by more than 25 percent. As a result, more funds were freed up for needy students.

5. Direct Costs Only

Some colleges are reducing their unmet need percentage by packaging "direct costs" only for student aid. This works if the Guaranteed Student Loan is used as a loan of last resort rather than as a direct or integral part of the student aid package. For example: In 1980-81 the average student budget at independent colleges was $6,470, of which 83.5 percent or $5401 was for tuition and fees and room and board, or direct costs. The other 16.5 percent or $1,068 was for other costs. In order to reduce a high percentage of unmet need, some colleges are packaging campus-based funds and institutional funds to cover direct costs only. If there is still a gap, GSL is used to fund part of the gap and to cover other budgeted costs up to the maximum GSL. One of the advantages of this system is that student aid sources are rationed to cover direct costs first, so that more students are served with the scarce resources available.

6. Packaging State Grants

Even in the heydays of the Middle Income Student Assistance Act, a majority of colleges could not meet "full need" for all students. With the knowledge that the Reconciliation Act has caused cuts in most of the major federal student assistance programs, college administrators have to plan carefully the distribution of aid funds based upon educational policy decisions. There are several approaches to meeting various proportions of need, other than moving to the "direct costs" only approach discussed above. For those colleges on a merit-based only program, some rank their applicant pool according to merit and meet 90 percent need of their pool, 80 percent need of the second group, and so on.

Colleges with rolling admissions programs set up a packaging schedule by dates. For the first sixty days, 90 percent of need is met; for the next 60 days, 80 percent, and so on. Each of these approaches has some hazards, and each must be tailored to the mission of the college and its clientele.

Other colleges put their students on a grid by parental income and a whole series of priorities which may include academic merit, religious affiliation, and special talents such as art and music. Then they decide to meet need, in accordance with these priorities, through a smaller amount of loans and a higher percentage of grants for the most desirable students and larger percentages of self-help for less desirable students. They also may cite a dollar figure: We will meet all need except for $500 or $1000. But higher ranking students, who receive more grant assistance, may be able to cover that dollar amount with additional loans.

7. Targeting Institutional Aid

Institutional aid, both restricted and unrestricted, is the major single area where colleges can use funds to carry out institutional goals. Colleges can use their own needs analysis, including the setting of parental and student contributions, in order to maximize the use of these resources.

Although many colleges have used institutional grants, loans, and work aid as part of the total resources of packaging available, some colleges are taking a careful look at institutional aid and targeting it to the clientele they want to recruit. Taking the grid idea discussed under variations of unmet need, colleges are targeting institutional aid to focus on student mix according to policy priorities.

For example, some colleges offer small merit-based grants to attract and retain talented students. Other colleges "sweeten the package" of their need-based recipients by offering more grant money from institutional funds to the most desirable students.

In all of these cases, institutional aid is factored in last on the grid. Starting with a packaging policy, all external sources of aid -- except in some cases, GSL -- are packaged to students on the grid by need and by parental income and by desirability. Then the gap of unmet need is determined after all external sources of aid are added together. Institutional aid is then factored in according to a policy of meeting need, first to estimate the cost to the college and then to determine what the college can afford. For a budget-setting exercise, this method is probably best for determining how to allocate institutional student aid.

8. Tuition Pricing Policies

Tuition pricing is a very tricky area. It involves the combination of necessary items of the college operating budget, the assessment of other income including gifts, endowment income, and the

priorities of the college -- including setting faculty salaries, and maintaining a place within the competition. However, we are now in a situation where prices are dropping, inflation is going down, and the external resources available for student aid are dwindling. In light of these occurrences, colleges are experimenting with major decisions in tuition pricing policies this year. Some colleges are planning for large one-year increases in tuition to augment their institutional student aid budgets.

Other colleges, realizing that lower tuition could mean lower need, have set their tuition price below the rate of inflation. This policy means fewer dollars available for student aid, but it also means lower unmet need for their students. It should appeal to colleges that serve a large number of low- and middle-income students, and thus have a high percentage of their total enrollment on student aid.

The third and most radical policy is to hold steady -- neither increase nor decrease tuition in response to current economic conditions. This requires a careful assessment of the various impacts of both lowered inflation and deflation on campus, particularly on faculty salaries, supplies and equipment. But this policy also can reduce unmet need and current funds appropriations for students; and, depending on the college location and mission, can lead to maintaining enrollment in an uncertain economy.

9. The Quota System

Another form of targeting aid or meeting a certain percentage of unmet need is to establish a quota system. Most colleges still use "aid blind" admissions, determining how much assistance is available to meet the financial need of students who are admitted. Some colleges, after assessing the availability of resources, are starting to question whether they can retain an "aid-blind" admissons policy. Colleges with a large percentage of non-need students and a large investment in institutionally funded aid believe that needy students should have their full need met. Therefore, they decide how many students they can afford on a "full-need" policy. Based upon qualifications, some students with financial need are allowed to complete applications until the quota is filled. Others are advised not to process applications because sufficient aid is not available. Predicated on the specific mission and policies of the college, such an admissions policy will not work for most independent colleges. At most independent colleges, about 70 percent of undergraduate students qualify for need-based student assistance.

10. Targeting Institutional Funds in Work-Study

Another approach is to re-examine whether most institutional dollars should remain in grant assistance. For the past few years, more colleges have been diverting a percentage of institutional funds into college work-study. There are variations on this plan. Some dollars are invested to spread federal college work-study funds by

increasing the institutional match from 20 percent to as high as 50 percent. Furthermore, colleges are starting separate work-study programs to provide work-study rather than grants to students who cannot qualify for federal work-study awards. These policies not only stretch the value of the dollar, but recent research indicates that adequate campus work opportunities enhance student retention. (See What Works in Student Retention by Philip E. Beal and Lee Noel, published in 1980 by the American College Testing Program and the National Center of Higher Education Management Systems.)

11. Targeting Institutional Dollars in Loan Funds

Another way of stretching institutional dollars is to encourage local banks to offer parent loan programs. Larger colleges and universities or groups of smaller colleges can enter agreements with a local bank to subsidize a loan by one or 1.5 percent. Along with lower interest rates to parents, this program provides capital availability. Loyola University in New Orleans is starting such a program in cooperation with a local bank, and the response from parents has been very positive. One advantage of such a system is that the college is not providing the loan fund, but simply subsidizing a part of the interest. Middle-income families appreciate the capital availability, and other precious federal loan dollars are preserved to serve students from lower-income families. For a small investment, the college can divert some of its merit-based grant resources to provide greater capital to a larger number of middle-income students who will be most affected by the federal student aid budget cuts.

12. Revising Capital Campaigns

Several colleges and universities currently running or planning capital campaigns have added the funding of student aid to their campaigns. Since corporations and donors generally are becoming aware of the impact of the federal student aid budget cuts upon students attending independent colleges, adding student assistance to a capital campaign drive seems to be a good, saleable idea. The advantage is obvious -- to create larger endowments to meet the demands for need-based student assistance.

13. Tapping the Alumni

Some colleges, both independent and government owned, are initiating campaigns among alumni to bolster student aid budgets. Many alumni are mindful of how difficult it was to make ends meet during their college years. As parents they are aware that student aid cuts may have a deleterious effect upon enrollments at their alma mater. This program also may have the effect of increasing giving among alumni who historically have not contributed on a regular basis.

14. Tax-Deductible Loan Programs - The Beloit Plan

Beloit College announced a new plan to assist in the financing of college costs called the "moral obligation" loan. A percentage of institutional funds provides loan capital to incoming students who need help to meet their educational costs. The student is "morally" obliged to pay back the loan by making a series of charitable contributions to the college. In 1986, charitable donations will be fully deductible from personal income tax. This creative idea has a major hazard: the college will have no legal right to call in payments on the loan which could result in a major investment lost. However, if the program does work, it could establish a giving pattern among young alumni that could last long beyond the repayment of the loan, especially if graduates are convinced that the college made a major investment in providing them the means to afford an education at the college of their choice.

15. Expanding State Loan Programs through Tax-Exempt Bonds

Tax-exempt bond financing has become a popular expedient in creating loan capital in several states. Such funding is fraught with dangers, including the Treasury Department's proposal to rescind such bonds from tax- exempt status. However, should higher education escape the proposed taxation, this method of creating additional loan funds is one that holds promise. The Association of Independent California Colleges and Universities secured legislation to create its own authority to provide tax-exempt bonds for loans to students attending independent colleges. The plan involves some investment on the part of participating colleges and universities.

Conclusion: Creativity and diversity are attributes of a strong independent sector of American higher education.

One of the great joys I've experienced while serving NIICU is to find so many dedicated and creative staff persons who work at maintaining and improving a vital independent sector of American higher education. The NIICU staff recently conducted six regional workshops to present new ways of applying information for planning student financial aid. We came back invigorated by that experience. Although our contribution should help campuses to improve institutional policies in student aid, we are convinced that some of the best ideas are emerging from work at the campus level. We celebrate your devotion and your ingenuity, and ask you to share new ideas with us so we can help other independent colleges in the future.